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FILE NO 21043 000522

March 8, 2005

**VIA OVERNIGHT MAIL**

Ms. Sharla Dillon  
Dockets and Records Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

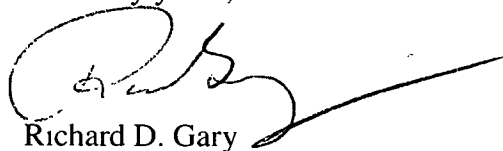
**Re: In the Matter of the Petition of Project Holdings Corp. and NA Communications, Inc., to Complete a Transfer of Control of an Authorized Carrier  
Docket No. 05-00052**

Dear Ms. Dillon:

Enclosed please find an original and thirteen (13) copies of the Responses of NA Communications to the Staff of the Tennessee Regulatory Authority's Data Request No. 1, dated February 28, 2005.

If you have any questions, please do not hesitate to contact me.

Sincerely yours,



Richard D. Gary

# HUNTON & WILLIAMS

Ms. Sharla Dillon

March 8, 2005

Page 2

cc: Mr. David McClanahan  
Mary McDermott, Esq.  
Mr. David R. Maccarelli  
D. Zachary Grabill, Esq.

**IN THE MATTER OF THE PETITION OF  
PROJECT HOLDINGS CORP. AND NA COMMUNICATIONS INC.  
TO COMPLETE A TRANSFER OF CONTROL  
OF AN AUTHORIZED CARRIER  
DOCKET NO. 05-00052**

**DATA REQUEST NO. 1**

1. Provide the most current audited financial statements for NTELOS and projected balance sheet of NTELOS at the consummation of the transfer of control and after issuance of debt.

**Response:**

The most recent audited financial statements of NTELOS are complete through December 31, 2003. A copy of those financial statements is attached. The audit for 2004 is ongoing. Enclosed, please find the unaudited pro forma condensed consolidated balance sheet for NTELOS reflecting the issuance of the debt and the change of control as if the transactions had occurred on December 31, 2004.

NTELOS and its auditors are still considering whether the application of purchase accounting procedures is appropriate. If purchase accounting procedures are not applied, the actual allocation of the adjustments shown on the pro forma balance sheet will be different and the difference may be material.

**Consolidated Balance Sheets**  
**NTELOS Inc. and Subsidiaries**

Response to Question 1

<i>(In thousands)</i>	Reorganized Company December 31, 2003	Predecessor Company December 31, 2002
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 48,722	\$ 12,216
Accounts receivable, net of allowance of \$21,573 (\$23,170 in 2002)	33,802	33,748
Inventories and supplies	9,600	2,588
Other receivables and deposits	3,183	3,058
Prepaid expenses and other	4,654	3,557
	<b>99,961</b>	<b>55,167</b>
<b>Securities and Investments</b>		
Securities and investments	338	867
Restricted investment	7,829	7,829
	<b>8,167</b>	<b>8,696</b>
<b>Property, Plant and Equipment</b>		
Land and buildings	32,414	51,026
Network plant and equipment	300,712	437,938
Furniture, fixtures, and other equipment	28,622	65,366
Total in service	361,748	554,330
Under construction	16,487	15,722
	<b>378,235</b>	<b>570,052</b>
Less accumulated depreciation	17,537	135,597
	<b>360,698</b>	<b>434,455</b>
<b>Other Assets</b>		
Goodwill	20,506	86,016
Franchise rights	32,000	-
Other intangibles, less accumulated amortization of \$1,494 (\$1,379 in 2002)	75,007	1,879
Radio spectrum licenses in service	21,960	107,234
Other radio spectrum licenses, net	2,500	2,572
Radio spectrum licenses not in service	15,040	7,155
Deferred charges	1,936	18,563
Deferred income taxes	-	7,784
	<b>168,949</b>	<b>231,203</b>
	<b>\$ 637,775</b>	<b>\$ 729,521</b>

*See Notes to Consolidated Financial Statements.*

# Consolidated Balance Sheets

## NTELOS Inc. and Subsidiaries

	Reorganized Company December 31, 2003	Predecessor Company December 31, 2002
<i>(In thousands)</i>		
<b>Liabilities and Shareholders' Equity (Deficit)</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 17,670	\$ -
Long-term debt in default and scheduled maturities	-	623,762
Deferred liabilities – interest rate swap	8,452	20,012
Accounts payable	29,471	22,350
Advance billings and customer deposits	12,333	13,013
Accrued payroll	7,541	6,160
Accrued interest	2,931	19,131
Deferred revenue	3,428	4,455
Income tax payable	56	50
Other accrued liabilities	6,406	5,177
	88,288	714,110
<b>Long-term Liabilities</b>		
Long-term debt	217,601	18,960
Convertible notes	74,273	-
Other long-term liabilities		
Retirement benefits	29,925	25,542
Deferred liabilities – interest rate swap	5,392	-
Long-term deferred liabilities	16,191	26,899
	343,382	71,401
<b>Minority Interests</b>	558	523
<b>Predecessor Redeemable Convertible Preferred Stock</b>	-	286,164
<b>Commitments and Contingencies (Note 14)</b>		
<b>Shareholders' Equity (Deficit)</b>		
Preferred stock, no par value per share, authorized 1,000 shares; none issued	-	-
Predecessor common stock, no par value per share, authorized 75,000 shares; 17,780 shares issued and outstanding in 2002	-	182,380
Reorganized common stock, no par value per share, authorized 25,000 shares; 10,000 shares issued and outstanding in 2003	197,727	-
Predecessor stock warrants	-	22,874
Reorganized stock warrants	3,150	-
Retained earnings (accumulated deficit)	4,670	(532,565)
Accumulated other comprehensive loss	-	(15,366)
	205,547	(342,677)
	\$ 637,775	\$ 729,521

See Notes to Consolidated Financial Statements.

# Consolidated Statements of Operations

## NTELOS Inc. and Subsidiaries

	Reorganized Company September 10, 2003 through December 31, 2003	Predecessor Company	
		January 1, 2003 through September 9, 2003	Year Ended December 31, 2002
<i>(In thousands)</i>			
<b>Operating Revenues</b>			
Wireless communications	\$ 64,348	\$ 127,272	\$ 156,860
Wireline communications	31,748	70,059	96,916
Other communications services	989	3,875	8,951
	97,085	201,206	262,727
<b>Operating Expenses</b>			
Cost of wireless sales (exclusive of items shown separately below)	15,113	31,836	48,868
Maintenance and support	18,423	41,996	64,408
Depreciation and amortization	18,860	51,224	82,924
Asset impairment charge	-	545	402,880
Accretion of asset retirement obligation	225	437	-
Customer operations	25,917	52,431	66,007
Corporate operations	7,869	17,429	17,914
Restructuring charges	-	2,427	4,285
	86,407	198,325	687,286
<b>Operating Income (Loss)</b>	10,678	2,881	(424,559)
<b>Other Income (Expense)</b>			
(Loss) gain on sale of assets	(429)	-	8,472
Interest expense	(6,427)	(26,010)	(78,351)
Other income (expense)	1,197	(436)	(1,454)
Reorganization items, net	(145)	169,036	-
	4,874	145,471	(495,892)
<b>Income Tax Expense (Benefit)</b>	258	706	(6,464)
	4,616	144,765	(489,428)
<b>Minority Interests in Losses of Subsidiaries</b>	54	15	481
<b>Net Income (Loss) before Cumulative Effect of Accounting Change</b>	4,670	144,780	(488,947)
Cumulative effect of accounting change	-	(2,754)	-
<b>Net Income (Loss)</b>	4,670	142,026	(488,947)
Dividend requirements on predecessor preferred stock	-	3,757	20,417
Reorganization items – predecessor preferred stock	-	286,772	-
<b>Income (Loss) Applicable to Common Shares</b>	\$ 4,670	\$ 425,041	\$ (509,364)

See Notes to Consolidated Financial Statements.

**Consolidated Statements of Cash Flows**  
**NTELOS Inc. and Subsidiaries**

(In thousands)	Reorganized Company		Predecessor Company	
	September 10, 2003 through December 31, 2003		January 1, 2003 through September 9, 2003	Twelve Months Ended December 31, 2002
<b>Cash flows from operating activities</b>				
Net income (loss)	\$	4,670	\$ 142,026	\$ (488,947)
Cumulative effect of an accounting change		-	2,754	-
Income (loss) before cumulative effect of an accounting change		4,670	144,780	(488,947)
Professional fees expensed in connection with Chapter 11		(145)	8,057	-
Adjustments to reconcile net income				
to net cash provided by operating activities				
Gain on disposition of assets and investments		-	-	(8,472)
Non cash restructuring charges and reorganization items		-	(177,093)	1,101
Accrued pre-petition interest expense related to cancelled notes		-	10,322	-
Depreciation and amortization		18,860	51,224	82,924
Asset impairment charge		-	545	402,880
Accretion		225	437	-
Retirement benefits and other		(1,849)	52	(5,757)
Interest expense payable from restricted cash		-	-	25,781
Accretion of loan discount and origination fees		29	849	4,601
Changes in assets and liabilities from operations, net of effects of acquisitions and dispositions				
(Increase) decrease in accounts receivable, net		(3,912)	4,145	(3,497)
(Increase) decrease in inventories and supplies		(6,520)	(492)	6,941
(Increase) decrease in other current assets		(162)	(639)	1,942
Changes in income taxes		104	(98)	1,983
Increase (decrease) in accounts payable		14,321	8,033	(17,922)
(Decrease) increase in other current liabilities		(2,280)	4,698	18,457
<b>Net cash provided by operating activities before reorganization items</b>		23,341	54,820	22,015
<b>Operating cash flows from reorganization items</b>				
Payment of liabilities subject to compromise		(11,523)	-	-
Professional fees paid for services rendered in connection with the Chapter 11 proceeding		(2,181)	(4,946)	-
<b>Net cash used in reorganization items</b>		(13,704)	(4,946)	-
<b>Net cash provided by operating activities</b>		9,637	49,874	22,015
<b>Cash flows from investing activities</b>				
Purchases of property and equipment		(24,334)	(34,186)	(73,164)
Proceeds from sale of property, plant and equipment and investments		7,859	6,955	31,116
Other		-	-	(355)
<b>Net cash used in investing activities</b>		(16,475)	(27,231)	(42,403)
<b>Cash flows from financing activities</b>				
Proceeds from issuance of convertible notes		-	75,000	36,000
Payments on senior secured term loans required from asset sale and issuance of convertible notes		(1,924)	(38,237)	-
Additional payments under lines of credit (net) and other debt instruments		(9,710)	(2,462)	(10,976)
Other		-	(1,966)	287
<b>Net cash (used in) provided by financing activities</b>		(11,634)	32,335	25,311
(Decrease) increase in cash and cash equivalents		(18,472)	54,978	4,923
Cash and cash equivalents				
<b>Beginning</b>		67,194	12,216	7,293
<b>Ending</b>	\$	48,722	\$ 67,194	\$ 12,216

See Notes to Consolidated Financial Statements

# Consolidated Statements of Shareholders' Equity (Deficit)

## NTELOS Inc. and Subsidiaries

	Common Stock		Warrants	Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)
	Shares	Amount				
<b>Predecessor Company</b>						
Balance, December 31, 2001	17,209	\$ 182,093	\$ 22,874	\$ (23,201)	\$ (8,200)	\$ 173,566
Comprehensive loss						
Net loss				(488,947)		
Cash flow hedge						
Derivative loss, net of \$2,687 of deferred taxes					(4,221)	
Unrealized loss on securities available for sale					(321)	
Reclassification of unrealized loss to realized loss, included in net income					509	
Minimum pension liability charge					(3,133)	
Comprehensive loss						(496,113)
Dividends on preferred shares				(20,417)		(20,417)
Common stock issuance (cancellation), net	(2)	(155)				(155)
Shares issued through employee stock purchase plan	573	442				442
<b>Balance, December 31, 2002</b>	<b>17,780</b>	<b>\$ 182,380</b>	<b>\$ 22,874</b>	<b>\$ (532,565)</b>	<b>\$ (15,366)</b>	<b>\$ (342,677)</b>
Comprehensive income						
Income before cumulative effect of accounting change				144,780		
Cumulative effect of accounting change				(2,754)		
Derivative gain, net of \$1,601 of deferred taxes					2,316	
Comprehensive income						144,342
Dividends on preferred shares (contractual preferred stock dividends for the period January 1, 2003 through September 9, 2003 were \$14,351)				(3,757)		(3,757)
Reorganization item – accretion of preferred stock				(8,325)		(8,325)
Cancellation of preferred shares upon emergence from bankruptcy				295,096		295,096
Cancellation of predecessor common stock upon emergence from bankruptcy	(17,780)	(182,380)				(182,380)
Cancellation of predecessor common stock warrants held by senior noteholders			(6,889)			(6,889)
Issuance of common stock to senior noteholders upon emergence from bankruptcy	9,434	186,526				186,526
Cancellation of predecessor common stock warrants held by subordinated noteholders			(12,200)			(12,200)
Issuance of common stock to subordinated noteholders upon emergence from bankruptcy	500	9,886				9,886
Cancellation of predecessor common stock warrants held by preferred stockholders and concurring issuance of new common stock warrants			(635)			(635)
Issuance of new common stock in connection with the issuance of new senior notes	38	750				750
Issuance of new common stock in connection with settlement of deferred compensation obligation	28	565				565
Cancellation of other predecessor equity interests upon emergence from bankruptcy, net of \$6,183 of deferred taxes				107,525	13,050	120,575
<b>Balance, September 9, 2003</b>	<b>10,000</b>	<b>\$ 197,727</b>	<b>\$ 3,150</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 200,877</b>
<b>Reorganized Company</b>						
Balance, September 10, 2003	10,000	\$ 197,727	\$ 3,150	\$ -	\$ -	\$ 200,877
Comprehensive income:						
Net income				4,670		4,670
<b>Balance, December 31, 2003</b>	<b>10,000</b>	<b>\$ 197,727</b>	<b>\$ 3,150</b>	<b>\$ 4,670</b>	<b>\$ -</b>	<b>\$ 205,547</b>

See Notes to Consolidated Financial Statements.



NTELOS Inc.  
Unaudited Pro Forma Condensed Consolidated  
Balance Sheet  
US\$ in 000's  
As of December 31, 2004

	NTELOS Historical	Pro Forma Adjustments (a)	Pro Forma As Adjusted	Pro Forma Adjustments (a)	Pro Forma As Adjusted
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 34,252	\$ (6,516)	\$ 27,736	\$ (12,000)	\$ 15,736
Accounts receivable, net	28,998		28,998		28,998
Other receivables	3,639		3,639		3,639
Inventories, materials and supplies	3,200		3,200		3,200
Prepaid expenses and other	4,984		4,984		4,984
Total current assets	75,073	(6,516)	68,557	(12,000)	56,557
Restricted investments	7,557	(7,557)	-	-	-
Other securities and investments	115		115		115
Property and equipment, net	359,966		359,966		359,966
Other assets					
Goodwill	22,060		22,060	266,540	288,600
Radio spectrum licenses	40,182		40,182		40,182
Other	104,068	13,921	117,989	-	117,989
Total other assets	166,310	13,921	180,231	266,540	446,771
Total assets	\$ 609,021	\$ (152)	\$ 608,869	\$ 254,540	\$ 863,409
<b>Liabilities and Shareholders' Equity</b>					
Current liabilities					
Current portion of long-term debt	\$ 9,761	\$ (5,028)	4,733	\$ -	4,733
Deferred liabilities- interest rate swap	5,045	(5,045)	-	-	-
Accounts payable	23,156		23,156		23,156
Other accrued liabilities	32,738	(483)	32,255	-	32,255
Total current liabilities	70,700	(10,556)	60,144	-	60,144
Long-term debt	170,355	451,483	621,838	-	621,838
Long-term liabilities					
Deferred income taxes	-		-		-
Retirement benefits	30,833		30,833		30,833
Other	17,854		17,854		17,854
Total long-term liabilities	48,687	-	48,687	-	48,687
Minority interests	402		402		402
Shareholders' equity	318,877	(441,079)	(122,202)	254,540	132,338
Total liabilities and shareholders' equity	\$ 609,021	\$ (152)	\$ 608,869	\$ 254,540	\$ 863,409

**Notes to Unaudited Pro Forma Condensed Consolidated Balance Sheet**  
(dollars in thousands)

The pro forma financial data have been derived by the application of pro forma adjustments to the Company's historical financial statements as of the date noted

- (a) Pro forma Recapitalization adjustments to the Unaudited Pro Forma Condensed Consolidated Balance Sheet are summarized in the following table (dollars in thousands) and are described in the notes that follow

	Financing (1)	Transaction Fees and Expenses (2)	Existing Debt Repayment (3)	Distribution (4)	Total Net Recapitalization Adjustments
Cash and cash equivalents	\$ 625,000	\$ (15,000)	\$ (176,516)	\$ (440,000)	\$ (6,516)
Restricted investments	-	-	(7,557)		(7,557)
Debt issuance costs	-	14,250	(329)		13,921
Current portion of long-term debt	4,000				(5,028)
Deferred liabilities- interest rate swap			(5,045)		(5,045)
Other accrued liabilities	-	-	(483)		(483)
Long-term debt	621,000	-	(169,517)		451,483
Shareholders' equity	-	(750)	(329)	(440,000)	(441,079)

- (b) Pro forma Merger adjustments to the Unaudited Pro Forma Condensed Consolidated Balance Sheet are summarized in the following table (dollars in thousands) and are described in the notes that follow

	Transaction Fees and Expenses (2)	Asset Revaluation (5)	Total Merger Adjustments
Cash and cash equivalents	\$ (12,000)	\$ -	\$ (12,000)
Goodwill		266,540	266,540
Shareholders' equity	(12,000)	266,540	254,540

**IN THE MATTER OF THE PETITION OF  
PROJECT HOLDINGS CORP. AND NA COMMUNICATIONS INC.  
TO COMPLETE A TRANSFER OF CONTROL  
OF AN AUTHORIZED CARRIER  
DOCKET NO. 05-00052**

**DATA REQUEST NO. 1**

2. Provide the most current audited financial statements for NA Communications Inc. and projected balance sheet of NA Communications, Inc. at the consummation of the transfer of control and after issuance of debt.

**Response:**

NA Communications is not subject to an annual audit. The unaudited balance sheet and income statement of NA Communications as of and for the years ended December 31, 2004 and 2003 are enclosed. NTELOS does not believe that the balance sheet of NA Communications will be materially affected by the debt that has been issued by NTELOS or the consummation of the transfer of control.

**CONFIDENTIAL****NA Communications****BALANCE SHEET**

As of December 31

(Unaudited)

	<u>2003</u>	<u>2004</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash	\$0	\$0
Accounts Receivable	62,657	43,261
Due from / (to) NTELOS Inc	2,246,772	1,895,360
Prepaid	29,263	28,464
<b>Current Assets</b>	<b>2,338,691</b>	<b>1,967,085</b>
<b>PROPERTY &amp; EQUIPMENT:</b>		
Plant in Service	681,500	681,500
Plant Under Construction	0	0
Accumulated Depreciation	(23,521)	(104,166)
<b>Property &amp; Equipment</b>	<b>657,979</b>	<b>577,334</b>
Intangible Assets net of accumulated amortization	663,298	641,431
<b>TOTAL ASSETS</b>	<b>\$3,659,968</b>	<b>\$3,185,850</b>
<b><u>LIABILITIES &amp; OWNERS EQUITY</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$396,069	\$74,794
Advance payments	3,256	8,286
<b>TOTAL LIABILITIES</b>	<b>399,325</b>	<b>83,080</b>
Deferred Income Taxes	231,547	224,584
<b>OWNERS EQUITY:</b>		
Common Stock	1,000	1,000
Paid in Capital	3,092,152	3,092,152
Retained Earnings	(64,055)	(214,966)
<b>TOTAL OWNERS EQUITY</b>	<b>3,029,096</b>	<b>2,878,186</b>
<b>TOTAL LIABILITIES &amp; OWNERS EQUITY</b>	<b>\$3,659,968</b>	<b>\$3,185,850</b>

**CONFIDENTIAL**

**NA Communications**

**INCOME STATEMENT**

**For the Period Ended December 31**

**(Unaudited)**

**2003**

**2004**

<b>OPERATING REVENUES:</b>	<b>\$ 1,534,065</b>	<b>\$ 1,035,140</b>
<b>OPERATING EXPENSES</b>		
Plant Specific	1,294,230	872,876
Depreciation	125,846	124,576
Customer Operations	89,089	122,606
Corporate Operations	73,789	82,338
Other Taxes	11,825	10,954
<b>TOTAL OPERATING EXPENSES</b>	<b>1,594,780</b>	<b>1,213,350</b>
<b>NET OPERATING INCOME / (LOSS)</b>	<b>(60,715)</b>	<b>(178,210)</b>
<b>OTHER INCOME / EXPENSE</b>		
Interest Income/(Expense)	97,882	27,300
<b>INCOME TAX EXPENSE</b>	<b>22</b>	<b>0</b>
<b>NET INCOME/(LOSS)</b>	<b>\$37,145</b>	<b>(\$150,910)</b>

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DOCKET NO. 05-00052**

**DATA REQUEST NO. 1**

3. Confirm that NA Communications will continue to operate under its current CCN in Tennessee and under its current name.

**Response:**

NA Communications will continue to operate under its current name and current CCN.

**IN THE MATTER OF THE PETITION OF  
PROJECT HOLDINGS CORP. AND NA COMMUNICATIONS INC.  
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DOCKET NO. 05-00052**

**DATA REQUEST NO. 1**

4. Will all rates, terms of services, and locations for customer contact remain in place as a result of this transaction? Will the management of NA Communications remain essentially intact with the same management policies and procedures?

**Response:**

There will be no changes to the rates, terms and conditions of service and location for customer contact of NA Communications as a result of this transaction. Similarly, the management policies and procedures will not change as a result of the transaction.

**IN THE MATTER OF THE PETITION OF  
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DOCKET NO. 05-00052**

**DATA REQUEST NO. 1**

5. Confirm that this is actually two transactions. (1) this is a transfer of control and ultimate authority under Tenn. Code Ann. 65-4-113 and (2) a refinancing and issuance of stock in order to purchase NTELOS by Project Holdings Corp which is regulated by Tenn Code Ann. 65-4-109. How will this debt impact NA Communications?

**Response:**

Project Holdings will acquire control, through a merger transaction as described in the Joint Petition, over NTELOS directly and NA Communications indirectly. The Joint Petitioners have applied to the Authority under Tenn. Code Ann. 65-4-113 for approval of this transaction. NA Communications, the "public utility" in Tennessee will not, however, issue any "stocks, stock certificates, bonds, debentures, or other evidence of indebtedness." Accordingly, it is NTELOS' belief that authority pursuant to Tenn. Code Ann. 65-4-109 is not required. The issuance of debt by NTELOS will not materially impact the operations or the financial results of NA Communications, and the post-merger debt of NTELOS will not be passed down to NA Communications.



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DOCKET NO. 05-00052**

**DATA REQUEST NO. 1**

6. Is the \$5 million dollars of debt prepayment mentioned on page 6 of the purchase agreement the only debt expected to be paid off immediately after the merger and as a result of the merger?

**Response:**

The merger agreement did require that a \$5 million debt prepayment be made as soon as practicable following execution of the merger agreement. In addition, as part of the overall recapitalization, all of NTELOS' pre-existing funded debt (excluding capitalized leases) was repaid as of February 24, 2005 out of the proceeds from NTELOS' new credit facilities. The merger agreement does not require any prepayments to be made on NTELOS' new credit facilities immediately after and as a result of the merger.

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DOCKET NO. 05-00052**

**DATA REQUEST NO. 1**

7. How much new debt will NTELOS have on its books after the merger is completed? How will the debt structure and/or interest expense affect the possibility of rate increases in the near future for NA Communications? Will any of the new debt and/or interest expense, if any, be allocated to NA Communications, Inc.'s books?

**Response:**

Please see the Response to Question 1. This NTELOS debt will not materially impact the operations or financial results of NA Communications, and will not cause NA Communications to raise its rates.